

January 2007

Elizabeth A. Jones, Chairman ★ Michael L. Williams, Commissioner ★ Victor G. Carrillo, Commissioner

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FREE TANK LOCATOR DECAL

Call today for a free reflective decal that shows where your propane tank or riser is located. Applied to your outside circuit breaker box, it will help first responders protect your property in the event of an emergency.



RAILROAD COMMISSION OF TEXAS



Rev. 1/2007

FY 2007 as of 1-09-07

REBATE TYPE	REBATE AMOUNT	PAID	PENDING
Water heater--new construction	\$150	\$110,550	\$31,350
Water heater--electric replacement	\$300	\$16,500	\$2,400
Propane Star Home	\$550	\$46,200	\$8,250
Propane SuperStar Home	\$750	\$42,750	\$12,000
TOTAL CONSUMER REBATES		\$216,000	\$54,000

Tell Your Customers About Tank Locator Decals

At the suggestion of J&B Propane in Madisonville, AFRED has also developed a bill stuffer that encourages residential customers to order a tank-locator decal from their marketer. During an emergency, the decal shows first responders where the customer's propane tank is located. The decals are free to Texas marketers through their AFRED field rep or by calling Eileen Latham at (800) 64-CLEAR.

Delivery-Fee Collections

Collections through December 29 totaled \$575,179, which is 9 percent lower than the average of previous years' collections at that date. As of December 30, heating degree-days for Texas as a whole were 13 percent below (i.e., warmer than) normal levels for the 2006-2007 heating season, and 10 percent below normal nationally.

AFRED Pilots Propane MasterCard

AFRED has been tapped to pilot a program for state agencies purchasing propane at retail propane outlets. Comdata® in partnership with TransMontaigne, provides fuel cards for the State of Texas, creating a streamlined system for state agencies to take advantage of the 50-cent a gallon tax credit on propane motor fuel purchased at retail outlets. Beginning January 15, 2007, AFRED vehicles refueling at propane retail outlets will use a green propane MasterCard. Marketers will no longer have to worry about claiming and remitting the tax credit on propane motor fuel purchased with the propane MasterCard. Instead, Comdata/TransMontaigne will handle all the administrative work. If successful, the program will be implemented statewide.

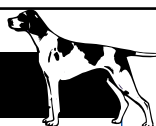
Low-Income Energy Assistance Enrollment

Your low-income customers can enroll now for 2007 assistance with their propane bills. The State of Texas has received its FY07 federal funds, and disbursements to local agencies that administer the program will occur during the next month. Customers need to re-enroll every year.

A list of local administrative agencies by county is available at www.tdhca.state.tx.us/pdf/ca/06-CEAPsubgrantsByCty.pdf. AFRED has free bill stuffers available to inform your customers about the program. To order or if you have questions, contact your AFRED regional representative or Heather Ball at (800) 64-CLEAR.

Free AFRED Forklift Safety Bill Stuffers

Thanks to Joe Green (Green's Blue Flame Gas Company, Houston), all Texas marketers have a new AFRED bill stuffer to help remind their forklift customers about propane safety. Joe asked AFRED to develop the bill stuffers to help marketers fulfill their Duty to Warn responsibility to their forklift customers. The bill stuffers are available free through your AFRED field rep or by calling Eileen Latham at (800) 64-CLEAR.

PROPANE POINTERS**Cylinder Requalification**

Each month AFRED's hunting-dog mascot points to a section of LP-gas code or standard that the Safety Division's LP-gas inspectors often find violated. The "point" of these articles is to facilitate compliance by making marketers more aware of these issues. This month's article covers a standard that RRC inspectors cited 191 times in the last two years. The standard is NFPA 58, §2.2.1.5, which requires cylinders to be continued in service and transported in accordance with DOT regulations.

The most frequent violation cited under NFPA 58, §2.2.1.5, is cylinders still in LP-gas service that have an expired certification date. Steel and aluminum cylinders must be requalified for continued service no later than 12 years from their date of manufacture. In addition, NFPA 58, §8.3.7, requires all cylinders used in industrial truck service (including forklift cylinders) to have their pressure-relief valves replaced with new or unused valves within 12 years of the cylinder's date of manufacture and every 10 years thereafter.

Most cylinders are requalified by external visual inspection. This method requalifies the cylinder for an additional five years. DOT regulations (49 CFR §180.209(g)) require visual inspections to be done in accordance with Compressed Gas Association Pamphlet C-6 or C-6.3. In addition, since June 1, 2004, DOT regulations require visual inspections to be performed only by persons holding a current DOT requalifier identification number (RIN), and the results of the inspections must be recorded and maintained in accordance with 49 CFR §180.215. Cylinders requalified by external visual inspection must be marked as required in 49 CFR §180.213 or as described in DOT's official letter of notification and issuance of a RIN.

Information on obtaining a RIN is available online at www.npga.org/i4a/pages/index.cfm?pageid=732.

In addition, before any cylinder is filled, §9.137 of the Railroad Commission's LP-Gas Safety Rules requires the cylinder to be examined for dents, bulges, gouging and evidence of corrosion that substantially reduces the cylinder's integrity.

All your employees who fill cylinders should be properly trained to comply with these safety codes and standards. AFRED's course No. 2.1, Dispenser Operations, provides thorough coverage of cylinder-related topics.

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AFRED'S ANNUAL REPORT TO THE TEXAS PROPANE INDUSTRY

Last year Texas marketers sent AFRED \$1.89 million to pay consumer rebates; educate the public about propane's benefits and propane safety; research, develop and demonstrate new propane technologies; and operate outreach programs to maintain current markets and open new ones.

Consumer Rebates

During fiscal 2006 AFRED issued \$2,644,550 in rebates to propane customers for new home construction, electric water heater replacements and diesel and propane forklift replacements. These payments represent more than 52 million residential gallons and 2 million commercial gallons that Texas marketers will be able to sell during the useful life of the rebated equipment.

Homebuilder Outreach

In 2006 AFRED also created a new partnership with the Texas Association of Builders (TAB) to educate homebuilders about propane's benefits. As a result, we recruited 65 new Propane Star Builders and generated 238 solid new home sales leads for marketers. In 2007 we will expand this program to include regular communication with Texas homebuilders, displays of new propane technologies at local TAB chapters' luncheons and trade shows, and an awards program for outstanding propane builders at the TAB annual convention.

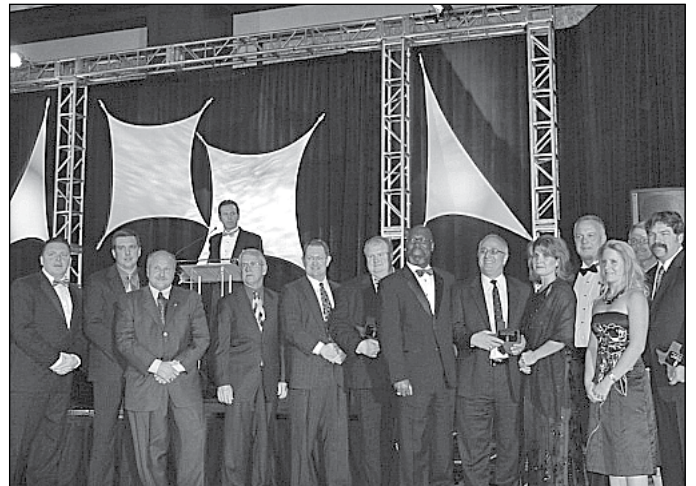
Leveraged Funds

Although AFRED can't turn checkoff dollars into gold, it can use the money to leverage funding from other sources. Last year AFRED brought in \$6.3 million in grants and other assistance to develop additional rebate and incentive programs and new technology. These included:

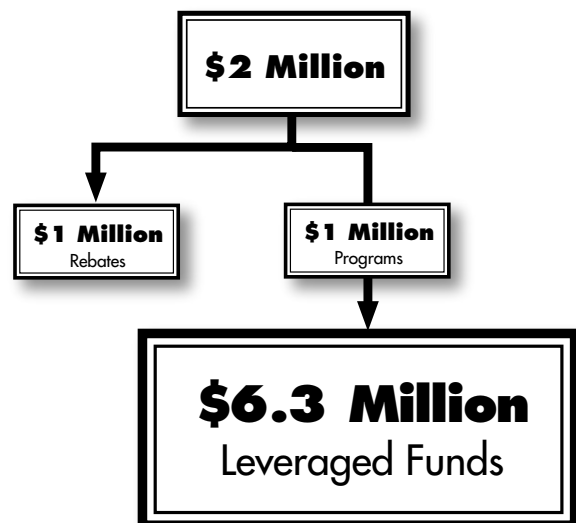
- \$895,000 to develop a propane OEM school bus;
- \$200,000 to offer rebates to purchasers of the school bus;
- \$4,000,000 for propane forklift rebates;
- \$1,320,142 for propane low-income energy assistance;
- \$47,000 for development and testing of a propane cotton defoliator.

 <small>RAILROAD COMMISSION OF TEXAS 1701 N. Congress • P.O. Box 12967 Austin, TX 78701</small>		0001
PAY TO THE ORDER OF: Propane Customer		\$ 2,644,550
Two million, six hundred forty-four thousand, five hundred fifty DOLLARS		
FOR Rebates		Railroad Commission of Texas
<small>⑆ 123456789 ⑆ 12345678901 0001</small>		

Total rebates issued to propane customers in fiscal year 2006



Commissioner Michael L. Williams, with representatives from Sharp Propane and Ferrellgas, recognized 2006 Propane Star Builders at the Texas Association of Builders' gala banquet.



AFRED leveraged delivery-fee dollars 3:1 in 2006.

Partnership With Propane Marketers

AFRED marketing staff takes the partnership with you seriously. Last year, they met face-to-face with more than 90 percent of the full-service marketers in Texas to customize AFRED's marketing assistance to your business. In addition, AFRED:

- Partnered with marketers on 37 trade shows, which generated 521 sales leads with a potential for 247,450 new gallons.
- Secured press coverage for 38 marketers, including 12 TV spots.
- Provided free marketing and safety materials to 351 retail propane marketers.
- Featured 74 marketers in Marketer Showcase.
- Provided free, online, updated listings for more than 900 Texas propane retail outlets through www.texaspropane.org so consumers can find you, even if they're not from your area.

Strengthen Relationships With Emergency Responders and Regulatory Officials

Texas marketers look to AFRED to do the ongoing preventive maintenance that helps regulators understand your business so that overly restrictive rules and ordinances are not enacted, and to help you comply with new and changed regulations.

During the past year, AFRED:

- Assisted marketers in hosting and publicizing 29 Volunteer Fire Department trainings around the state for 797 emergency responders. By increasing their familiarity with propane's safety features, emergency responders can help ensure appropriate responses to propane incidents and forestall unnecessary ordinances.
- Revamped the Regulatory Compliance class for retail propane owners and managers to include speakers from agencies that regulate propane operations. The classes provided a forum for regulators and marketers to become more familiar with the rules and their application in retail propane operations.

Contact your AFRED field rep if you would like to schedule a firefighter training or attend a Regulatory Compliance class in your area.

AFRED welcomes your suggestions for ways to improve our partnership. In the past month we've developed four forklift safety bill stuffers and a tank locator bill stuffer, based on suggestions from Texas marketers. So give us a call!



At a propane marketer's suggestion, AFRED created new delivery ticket holders with consumer safety tips in 2006.



AFRED's Thomas Petru instructs firefighters on propane safety in Brownsville, as KGBT Channel 4 captures the event.



AFRED Advisory Committee chair Jacinto Briseno welcomes marketers to AFRED's 6.1 Regulatory Compliance class in Harlingen. Classes were also held in Austin and San Angelo.



TAX CREDIT FOR PROPANE USED IN FORKLIFTS

Beginning October 1, 2006, propane used in forklifts is eligible for a 50-cent-per-gallon federal motor fuel tax credit. The credit runs through September 30, 2009, and could be extended. AFRED has prepared the following Q&A for marketers and forklift operators:

1. Who files for the tax credit for propane used in forklifts?

In most cases, the customer files. Under IRS rules, the entity that buys the fuel and loads the propane cylinders onto the forklifts is considered the Alternative Fueler and is eligible to file for the credit.

2. What IRS forms are needed to claim the credit?

Each entity wishing to claim the credit must register by filing IRS Form 637. A sample Form 637 is available at www.propane.tx.gov. Once approved, the IRS will issue a 637 number with "AL" at the end, indicating IRS authorization to file as an alternative fueler.

Forklift operators that are not government entities claim the tax refund on their income tax return at the end of the year.

State and local government entities submit Form 8849, "Claim for Refund of Excise Taxes," on the gallons they use in a forklift or motor vehicle. They can file as often as they want, as long as they claim a credit of \$750 or more on each filing.

3. Where do I obtain the forms?

You can download the forms at www.irs.gov. You can view a sample completed Form 637 on AFRED's web site, www.propane.tx.gov.

4. What happens if my tax credit is higher than my income tax owed?

If your business doesn't have enough tax liability, the remainder of the credit is issued as a refund.

5. How long do I have to file for the credit?

The credit must be claimed within three years following the close of the year the claim occurred.

6. Can I still claim the credit if the forklift is used for personal, rather than business use?

No. Use of the propane forklift must be associated with a trade or business activity.

7. Is there a limit to the amount I can claim?

No. You must have on file proper documentation of the propane purchased and used in the forklift during the period of the claim.

For more information about the propane motor-fuel excise tax credit, contact Heather Ball, Railroad Commission of Texas, at (512) 463-7359 or e-mail heather.ball@rrc.state.tx.us.



RAILROAD COMMISSION OF TEXAS

Web site: www.propane.tx.gov • Phone: (800) 64-CLEAR

Railroad Commission of Texas - Alternative Fuels Research & Education Division
Examination Schedule January 07 - March 07.

Walk-in exams every business day, 8 a.m.-12 noon, at 6506 Bolm Road, Austin 78721

Examinations are also available at the following times and locations:

Date	City	Facility	Address	Exam Start Time
01/17/07	Kilgore	RRC	619 Henderson Blvd	5:00 p.m.
01/18/07	Kilgore	RRC	619 Henderson Blvd	8:00 a.m.
01/23/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
01/24/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
01/24/07	El Paso	RRC	401 Franklin Ave Rm. 570	5:00 p.m.
01/25/07	Abilene	TxDOT	4250 N. Clack	8:00 a.m.
01/25/07	El Paso	RRC	401 Franklin Ave Rm. 570	8:00 a.m.
01/25/07	Houston	Gas Equipment Co.	11510 N. Petro Park Drive	8:00 a.m.
01/29/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
01/30/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
01/31/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
02/01/07	Corpus Christi	RRC	10320 IH 37	8:00 a.m.
02/01/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
02/05/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
02/08/07	Garland	RRC	1546 Rowlett Rd. Ste. 107	8:00 a.m.
02/08/07	San Angelo	RRC	622 So. Oakes, Rm. 114	8:00 a.m.
02/08/07	Waco	TxDOT	100 So. Loop Drive	8:00 a.m.
02/15/07	Amarillo	TxDOT	5715 Canyon Drive	8:00 a.m.
02/20/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
02/22/07	Harlingen	TCEQ	1804 W Jefferson Ave.	8:00 a.m.
03/01/07	Houston	TxDOT	7721 Washington Ave Main Bldg Conf Rm	8:00 a.m.
03/05/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
03/06/07	Midland	RRC	10 Desta Drive	5:00 p.m.
03/06/07	Kilgore	RRC	619 Henderson Blvd	5:00 p.m.
03/07/07	Midland	RRC	10 Desta Drive	5:00 p.m.
03/07/07	Kilgore	RRC	619 Henderson Blvd	5:00 p.m.
03/08/07	Garland	RRC	1546 Rowlett Rd. Ste. 107	8:00 a.m.
03/08/07	Midland	RRC	10 Desta Drive	8:00 a.m.
03/08/07	Kilgore	RRC	619 Henderson Blvd	8:00 a.m.
03/13/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
03/13/07	El Paso	RRC	401 Franklin Ave Rm. 570	5:00 p.m.
03/14/07	El Paso	RRC	401 Franklin Ave Rm. 570	5:00 p.m.
03/15/07	El Paso	RRC	401 Franklin Ave Rm. 570	8:00 a.m.
03/15/07	Fort Worth	City of Fort Worth	4100 Columbus Trail	8:00 a.m.
03/19/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
03/20/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
03/22/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
03/22/07	Abilene	TxDOT	4250 N. Clack	8:00 a.m.
03/26/07	Austin	RRC	6506 Bolm Road	5:00 p.m.
03/29/07	Lufkin	TxDOT	1805 N. Timberland Dr.	8:00 a.m.
03/29/07	Houston	TxDOT	7721 Washington Ave Main Bldg Conf Rm	8:00 a.m.

Register online for exams at www.rrc.state.tx. Click on "Training & Certification."

No examinations will be given out after 9:00 a.m. or 5:30 p.m.